

## STATE OF ILLINOIS

### ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission	:	
On Its Own Motion	:	
-vs-	:	
Mt. Carmel Public Utility Company	:	05-0746
	:	
Reconciliation of revenues collected	:	
under gas adjustment charges with	:	
actual costs prudently incurred.	:	

### ORDER

By the Commission:

#### I. INTRODUCTION

On November 22, 2005, the Illinois Commerce Commission ("Commission") entered an Order Commencing PGA Reconciliation Proceedings directing Mt. Carmel Public Utility Co. ("Mt. Carmel") to present evidence at a public hearing in this docket showing the reconciliation of revenues collected under its Purchased Gas Adjustment ("PGA") tariff with the actual cost of gas supplies prudently incurred and recoverable under said PGA tariff for the year ending December 31, 2005 (the "Reconciliation Period"). Notice of the filing of Mt. Carmel's testimony and schedules with the Commission was posted in its business offices and was published in newspapers having general circulation in its service territory, in the manner prescribed by 83 Ill. Adm. Code 255, in compliance with the Commission's November 22, 2005 order.

Pursuant to proper legal notice, hearings were held in this matter before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois on May 11, 2006 and September 27, 2006. Appearances were entered by counsel for Mt. Carmel and by members of the Commission's Energy and Financial Analysis Divisions ("Staff"). At the conclusion of the latter hearing, the record was marked "Heard and Taken."

#### II. GOVERNING AUTHORITY

In accordance with Section 9-220 of the Public Utilities Act ("Act"), 220 ILCS 5/1-101 et seq., the Commission may authorize an increase or decrease in rates and charges based upon changes in the cost of purchased gas through the application of a PGA clause. Section 9-220(a) requires the Commission to initiate annual public hearings "to determine whether the clauses reflect actual costs of gas purchased to determine whether such purchases were prudent, and to reconcile any amounts collected with the actual cost of gas prudently

purchased.” In each such proceeding, the burden of proof shall be upon the utility to establish the prudence of its applicable costs. For gas purchases, the provisions of Section 9-220 are implemented in 83 Ill. Adm. Code 525, “Uniform Purchased Gas Adjustment Clause.” Gas costs which are recoverable through a PGA clause are identified in Section 525.40. Adjustments to gas costs through the Adjustment Factor are addressed in Section 525.50. The gas charge formula is contained in Section 525.60. Annual reconciliation procedures are described in Section 525.70.

### **III. EVIDENCE PRESENTED**

Philip Barnhard, IV, President of Mt. Carmel, is responsible for supervising the calculation and filing with the Commission of Mt. Carmel's monthly and annual reconciliation required by Mt. Carmel's PGA tariff. Mr. Barnhard sponsors Exhibits G-1 and G-2 attached to his revised direct testimony, which identify and reconcile all components of Mt. Carmel's 2004 gas costs and recoveries. Exhibit G-1 consists of Mt. Carmel's purchased gas rate sheets. Page 3 of Exhibit G-2 shows that Mt. Carmel under recovered commodity and non-commodity gas costs from its customers during 2005 by the amount of \$43,686.81, with an unamortized balance of \$135,976.53 at December 31, 2004, plus a combined Factor O of (\$13,725.48), and with an as filed unamortized balance of (\$43,389.12) at December 31, 2005. Line 11 of page 3 also shows an under recovery balance at December 31, 2005 of \$407,331.38. This minus the Factor A Adjustment shown on Line 12 results in a Requested Factor O refund of \$151.94 for the combined gas charges for the 2005 Reconciliation Period. Mr. Barnhard also expresses the opinion that Mt. Carmel's procurement of natural gas was prudent during 2005.

Mike Ostrander of the Accounting Department of the Financial Analysis Division testifies that he reviewed Mt. Carmel's PGA Reconciliation shown on Exhibit G-2 and the underlying documents which support the calculations. Mr. Ostrander recommends that an adjustment be made to correct an error in Mt. Carmel's commodity gas charge reconciliation. Specifically, he states that transportation costs are overstated by \$472 for the month of May due to using a prior month's invoiced amount. With his adjustment, Mr. Ostrander recommends that a Factor O refund of \$624 be made through the gas charge in the first monthly PGA filing after the date of the order in this docket. At the evidentiary hearing, Mt. Carmel accepted Mr. Ostrander's adjustment.

Mark Maple of the Engineering Department of the Energy Division also testifies that he reviewed Mt. Carmel's filing and responses to numerous data requests concerning the prudence of its gas purchases during the Reconciliation Period. Using the Commission's criteria for determining prudence, Mr. Maple found no reason to dispute Mt. Carmel's assertion that its gas supply purchases were prudently incurred during the reconciliation period.

#### IV. FINDINGS AND ORDERING PARAGRAPH

The Commission, having considered the entire record and being fully advised in the premises, is of the opinion and finds that:

- (1) Mt. Carmel is a corporation engaged in the distribution of electricity and natural gas to the public in Illinois and, as such, is a public utility within the meaning of the Act;
- (2) the Commission has jurisdiction over Mt. Carmel and of the subject matter of this proceeding;
- (3) the statements of fact set forth in the prefatory portion of this Order are supported by the record and are hereby adopted as findings of fact;
- (4) the evidence shows that during the Reconciliation Period, Mt. Carmel acted reasonably and prudently in its purchase of natural gas; and
- (5) for the Reconciliation Period, the Commission accepts with Staff's adjustment Mt. Carmel's proposed reconciliation of revenues collected under its PGA tariff with the actual cost of gas supplies as reflected in Schedule 1.1 attached to Staff Exhibit 1.0.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that the adjusted reconciliation submitted by Mt. Carmel Public Utility Company of the revenues collected under its PGA tariff with costs prudently incurred for the purchase of natural gas for calendar year 2005, as set forth in the Appendix hereto, is hereby approved.

IT IS FURTHER ORDERED that Mt. Carmel Public Utility Company refund the Factor O of \$624.00 in its first monthly PGA filing following the date of this Order.

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Act and 83 Ill. Adm. Code 200.800, this Order is final; it is not subject to the Administrative Review Law.

By order of the Commission this 25<sup>th</sup> day of October, 2006.

(SIGNED) CHARLES E. BOX

Chairman